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LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

JUNE 30, 2008 AND 2007

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

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August 12, 2008

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana

Independent Auditors' Report

We have audited the accompanying statements of financial position of Louisiana Tech University Foundation, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Tech University Foundation, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2008, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Heard, McElroy & Vestal, LLP

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LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

ASSETS	2008	2007
Cash and cash equivalents	4,082,327	3,874,667
Accounts receivable-Notes 10 and 13	2,167,890	1,463,465
Contributions receivable, net-Note 4	632,309	482,827
Accrued interest receivable	24,944	23,349
Investments-Note 2	20,529,238	21,688,984
Fixed assets, net-Notes 3, 6 and 8	5,298,992	6,398,476
Other assets	87,551	92,626
Restricted assets-investments-Note 2	30,814,189	31,429,020
Total assets	63,637,440	65,453,414
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	725,422	626,731
Accrued interest payable	8,056	13,038
Annuities liability-Note 12	276,694	189,454
Deferred revenue-Notes 10 and 13	391,098	495,936
Deferred compensation-Note 7	27,668	167,968
Notes payable-Note 5	437,128	1,050,000
Bonds payable-Notes 6 and 8	1,048,859	1,473,828
Due to Louisiana Tech University-Note 9	30,085,933	30,115,002
Total liabilities	33,000,858	34,131,957
Net assets:		
Unrestricted:		
Undesignated	620,648	597,375
Invested in capital assets, net of related debt	3,813,005	3,874,648
	4,433,653	4,472,023
Temporarily restricted-for specific purposes	9,541,212	10,408,493
Permanently restricted-endowment	16,661,717	16,440,941
Total net assets	30,636,582	31,321,457
Total liabilities and net assets	63,637,440	65,453,414

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	85,906	4,342,230	1,072,267	5,500,403
Contributed services	818,490	-	-	818,490
Interest and dividends income	160,386	770,127	110	930,623
Lease income	-	355,307	-	355,307
Service charges	651,317	-	-	651,317
Realized and unrealized gains (losses) on investments, net	290,316	(1,218,220)	(608)	(928,512)
Other	1,009,935	1,629,290	24,421	2,663,646
	3,016,350	5,878,734	1,096,190	9,991,274
Net assets released from restrictions	6,841,429	(6,746,015)	(95,414)	-
Total revenues, gains and other support	9,857,779	(867,281)	1,000,776	9,991,274
Expenses:				
Instructional support	843,486	-	-	843,486
Academic support	78,657	-	-	78,657
Research	352,400	-	-	352,400
Institutional support	2,633,813	-	-	2,633,813
Student financial aid	471,851	-	-	471,851
Student services	82,025	-	-	82,025
Auxiliary	3,039,443	-	-	3,039,443
General administrative services	1,113,669	-	-	1,113,669
Fundraising	1,280,805	-	-	1,280,805
Total expenses	9,896,149	-	-	9,896,149
Assets dedicated to Louisiana Tech University, net	-	-	780,000	780,000
Change in net assets	(38,370)	(867,281)	220,776	(684,875)
Net assets, beginning of year	4,472,023	10,408,493	16,440,941	31,321,457
Net assets-end of year	4,433,653	9,541,212	16,661,717	30,636,582

See accompanying notes to financial statements.

2007			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
184,803	3,519,217	3,311,269	7,015,289
650,801	-	-	650,801
240,067	518,885	119	759,071
-	152,683	-	152,683
781,240	13,831	-	795,071
176,142	1,128,527	(9,087)	1,295,582
819,962	1,862,357	111,065	2,793,384
2,853,015	7,195,500	3,413,366	13,461,881
6,618,101	(6,474,587)	(143,514)	-
9,471,116	720,913	3,269,852	13,461,881
1,009,240	-	-	1,009,240
46,789	-	-	46,789
57,264	-	-	57,264
2,216,764	-	-	2,216,764
470,440	-	-	470,440
130,718	-	-	130,718
3,111,234	-	-	3,111,234
1,098,795	-	-	1,098,795
1,154,535	-	-	1,154,535
9,295,779	-	-	9,295,779
-	-	29,522	29,522
175,337	720,913	3,240,330	4,136,580
4,296,686	9,687,580	13,200,611	27,184,877
4,472,023	10,408,493	16,440,941	31,321,457

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	(684,875)	4,136,580
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,205,850	1,011,401
Transfer of fixed assets	112,179	78,050
Net unrealized (gain) on long-term investments	1,213,336	(978,662)
Realized (gain) on sale of investments	(284,824)	(316,919)
(Increase) decrease in assets:		
Accounts receivable	(704,425)	(477,764)
Contributions receivable, net	(149,482)	(147,934)
Accrued interest receivable	(1,595)	3,080
Other assets	5,075	(12,658)
Increase (decrease) in liabilities:		
Accounts payable	98,691	85,651
Accrued interest payable	(4,982)	(6,520)
Annuities liability	87,240	32,218
Deferred revenue	(104,838)	(106,903)
Deferred compensation	(140,300)	77,323
Contributions restricted for long-term investment	(1,072,267)	(3,311,269)
Net cash provided (used) by operating activities	(425,217)	65,674
Cash flows from investing activities:		
Purchases of fixed assets	(220,727)	(1,677,663)
Proceeds from sale of fixed assets	92,450	91,017
Purchases of investments	(4,845,373)	(4,610,702)
Proceeds on sale of investments	3,262,873	1,217,210
Increase in due to Louisiana Tech University	2,309,228	625,463
Net cash provided (used) by investing activities	598,451	(4,354,675)
Cash flows from financing activities:		
Contributions restricted for investment in endowment	1,072,267	3,311,269
Payments of notes payable	(612,872)	(75,000)
Payments of bonds payable	(424,969)	(401,584)
(Decrease) in payable-land purchase	-	(920,000)
Net cash provided by financing activities	34,426	1,914,685
Increase (decrease) in cash and cash equivalents	207,660	(2,374,316)
Cash and cash equivalents-beginning of year	3,874,667	6,248,983
Cash and cash equivalents-end of year	4,082,327	3,874,667

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies

a. *Organization*

The Louisiana Tech University Foundation, Inc. (the Foundation) was organized to solicit, receive, hold, invest and transfer funds for the benefit of Louisiana Tech University (Louisiana Tech University). Additionally, the Foundation assists Louisiana Tech University in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. Louisiana Tech University and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of Louisiana Tech University. The Foundation is a separate legal entity and not included as part of the reporting entity of Louisiana Tech University.

b. *Basis of Financial Statements*

The Foundation maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. However, these assets may be designated by management for specific purposes.
>
> Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time. This classification includes gifts, annuities and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.
>
> Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all of, or part of, the income earned on the related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

1. <u>Organization and Summary of Significant Accounting Policies</u> **(Continued)**

c. ***Net Assets Released from Restrictions***
Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

d. ***Contributions***
Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

e. ***Investment Income***
Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- increases in unrestricted net assets in all other cases.

f. ***Temporarily Restricted Net Assets***
With respect to temporarily restricted net assets, the Foundation has adopted the following accounting policies.

Contributions with Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment - Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

g. ***Cash and Cash Equivalents***
Cash and cash equivalents principally include cash and money market investments not held by trustees. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

1. <u>Organization and Summary of Significant Accounting Policies</u> (Continued)

h. *In-Kind Gifts*
Gifts of investments, real estate, and other property contributed to the Foundation are recorded at estimated fair value at date of contribution.

i. *Accounts Receivable*
Accounts receivable consists of amounts due from outside parties. Management evaluates the collectibility and aging of those accounts receivable in determining the need for an allowance for doubtful accounts.

j. *Investments*
Investments in marketable securities with readily determinable fair values are stated at fair value. Realized gains or losses on sales of investment securities are based upon the cost of the specific security sold. Unrealized gains and losses are included in the change in net assets.

k. *Depreciation*
Depreciation is provided on the straight-line method based on the estimated useful lives of the depreciable assets which range from two to thirty years.

l. *Tax Status*
The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made; however, should the Foundation engage in activities unrelated to its exempt purpose, taxable income could result. The Foundation had no material unrelated business income for the fiscal years audited.

m. *Funds Functioning as Endowment*
The Foundation has designated funds for which the income earned is designated for specific uses. Because there is no donor-imposed restriction, these funds are classified as unrestricted net assets; however, the Foundation restricts the use of the funds in the same manner as a donor would by creating an endowment.

n. *Use of Estimates*
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

o. *Reclassifications*
Certain amounts previously reported in the Foundation's financial statements have been reclassified to conform to current classifications, with no effect on previously reported net assets or changes in net assets.

2. **Investments**

Fair values and unrealized appreciation (depreciation) of investments at June 30, 2008 and 2007 are summarized as follows:

	2008			2007		
	Cost	Fair Value	Unrealized Appreciation/ Depreciation	Cost	Fair Value	Unrealized Appreciation/ Depreciation
Held by investment custodians:						
Cash and cash equivalents	2,788,324	2,788,324	-	2,704,152	2,704,152	-
Certificates of deposit	895,497	897,752	2,255	955,000	951,824	(3,176)
Mutual funds	20,817,529	20,603,123	(214,406)	16,736,969	19,350,911	2,613,942
Government obligations and corporate bonds	12,263,113	12,428,587	165,474	13,269,579	13,133,982	(135,597)
Common stocks	10,496,853	10,403,482	(93,371)	9,705,772	12,080,673	2,374,901
Real estate held by the Foundation	4,173,896	4,173,896	-	4,750,165	4,848,892	98,727
	51,435,212	51,295,164	(140,048)	48,121,637	53,070,434	4,948,797
Accrued interest included in restricted investments	48,263	48,263	-	47,570	47,570	-
	51,483,475	51,343,427	(140,048)	48,169,207	53,118,004	4,948,797
Included on the Statement of Financial Position:						
Investments	20,493,332	20,529,238	35,906	19,945,844	21,688,984	1,743,140
Restricted assets-investments	30,990,143	30,814,189	(175,954)	28,223,363	31,429,020	3,205,657
	51,483,475	51,343,427	(140,048)	48,169,207	53,118,004	4,948,797

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2008 and 2007:

	2008			2007		
	Unrestricted	Temporarily and Permanently Restricted	Total	Unrestricted	Temporarily and Permanently Restricted	Total
Interest income	160,386	770,237	930,623	240,067	519,004	759,071
Net realized and unrealized gains	290,316	(1,218,828)	(928,512)	176,142	1,119,439	1,295,581
Total investment return	450,702	(448,591)	2,111	416,209	1,638,443	2,054,652

Of the bank balances, those funds not covered by federal deposit insurance were covered by collateral held by the pledging banks' trust department.

3. **Fixed Assets**

A summary of the fixed assets at June 30, 2008 and 2007 follows:

	Depreciable Lives	2008	2007
Automobiles	2-3	126,193	126,193
Furniture, fixtures and equipment	3-10	5,120,457	4,058,549
Engineering equipment	3-10	666,682	666,682
Real estate and other	-	199,858	199,858
* Leasehold improvements	30	4,161,554	4,161,554
** Construction in progress		-	1,004,328
		10,274,744	10,217,164
Less-accumulated depreciation		(4,975,752)	(3,818,688)
		5,298,992	6,398,476

Depreciation of $527,185 and $332,736 was recorded for the years ended June 30, 2008 and 2007, respectively.

3. **Fixed Assets** **(Continued)**

*Leasehold improvements consists of the renovations to Tolliver Hall and the Ropp Center. Renovations were completed on April 1, 2004, and will be donated to Louisiana Tech University at the time the bonds are paid. Refer to Notes 6 and 8. Amortization of leasehold improvements was $678,665 for the years ended June 30, 2008 and 2007.

** Construction in progress consists of renovations to the CAB building and the engineering TTC building. Renovations were completed in the fiscal year 2008.

4. **Contributions Receivable**

Contributions receivable, net, is summarized as follows as of June 30, 2008 and 2007:

	2008	2007
Unconditional pledges expected to be collected in:		
Less than one year	127,099	211,939
One year to five years	573,349	322,886
More than five years	-	2,500
	700,448	537,325
Less-discount on future contributions receivable (discount rate of 2.23% and 4.99% in 2008 and 2007, respectively)	(14,713)	(25,254)
Less-allowance for uncollectible contributions receivable	(53,426)	(29,244)
Contributions receivable, net	632,309	482,827

5. **Notes Payable**

Notes payable consist of the following at June 30, 2008 and 2007:

	2008	2007
Notes payable to bank at floating rate, secured by depository accounts, due March 2018	437,128	1,050,000

Two notes payable to a bank originally issued for $750,000 each were issued to fund the improvements to the Louisiana Tech University Athletic Fieldhouse. These notes were refinanced in March of 2002, and again in March 2006. The interest rate for the new note is floating at 1% under the bank's Financial Corporation Commercial Base Rate – Daily (the Index). The rate for the note was 4.0% at June 30, 2008.

Under the terms of the note, the Foundation is required to comply with restrictive covenants related to its financial records, financial statements, insurance and additional information.

Aggregate principal payments required on the note payable are as follows:

5. Notes Payable (Continued)

Year Ending June 30:

2009	75,000
2010	75,000
2011	75,000
2012	75,000
2013	75,000
2014 and thereafter	62,128
	437,128

Interest paid for the years ended June 30, 2008 and 2007 was $50,709 and $81,139, respectively.

6. Bonds Payable

Bonds payable at June 30, 2008 and 2007 are as follows:

	2008	2007
Revenue bonds payable at 5.7%, due in quarterly installments through August 15, 2010	1,048,859	1,473,828

In August 2000, the Foundation issued $3,791,183 in revenue bonds to fund renovations to Tolliver Hall and the Ropp Center as required under the lease agreement with Aramark described in Note 8. The bonds were issued with a 10-year term at an interest rate of 5.7% and with payments of $125,000 due quarterly.

Maturities of the revenue bonds, by year, at June 30, 2008 are as follows:

Year Ending June 30:

2009	449,714
2010	475,901
2011 (end of term)	123,244
	1,048,859

Interest paid for the years ended June 30, 2008 and 2007 on the revenue bonds was $75,032 and $98,416, respectively. Amounts capitalized related to this interest for the years ended June 30, 2008 and 2007, were $-0-.

7. Deferred Compensation

The Foundation provides additional compensation to the President of Louisiana Tech University. Pursuant to an agreement between the Foundation and the President, such compensation is being deferred. The deferred compensation is deposited by the Foundation in a trust for the President's benefit. At January 7, 2008, the balance of the deferred compensation was paid to the President according to the terms of the agreement, and a new agreement became effective with generally the same terms as the old agreement. Total deferred compensation at June 30, 2008 and 2007 was $27,668 and $167,968, respectively.

8. **Lease Agreement**
During fiscal 2000, Louisiana Tech University entered into a lease agreement with Aramark for Tolliver Hall and the Ropp Center in connection with providing food services on campus. As a condition of this agreement, Louisiana Tech University required Aramark to enter into a sublease for the facilities with the Foundation. As a result, the Foundation entered into an agreement with Aramark to lease Tolliver Hall and the Ropp Center from Aramark for the purpose of renovating the structures. Upon completion, the sublease was terminated, and the improvements will be gifted back to Louisiana Tech University by the Foundation once the bonds (refer to Note 6) are paid in full. Notwithstanding the term of the lease agreement between the Foundation and Aramark, Aramark will pay the Foundation $500,000 per year for ten years to defray the costs of constructing the improvements. No lease payments are required to be paid by the Foundation, but the Foundation was required to construct the improvements of Tolliver Hall and the Ropp Center in accordance with building standards satisfactory to Aramark and Louisiana Tech University. For the years ended June 30, 2008 and 2007, the annual payments of $500,000 have been recorded as temporarily restricted other revenue. Future minimum payment from Aramark is $500,000 for June 30, 2009.

9. **Transactions with Louisiana Tech University**
Louisiana Tech University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, Louisiana Tech University provides, without cost, certain other operating services associated with the Foundation. These services are valued at their actual cost to Louisiana Tech University. For the year ended June 30, 2008, contributed personnel costs and operating services were determined to be $815,568 and $2,922, respectively. For the year ended June 30, 2007, contributed personnel costs and operating services were determined to be $648,274 and $2,527, respectively. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

For the years ended June 30, 2008 and 2007, expenses totaling approximately $3,243,769 and $3,451,666, respectively, were paid directly to or for the benefit of Louisiana Tech University.

Funds administered by the Foundation on behalf of Louisiana Tech University are not commingled with funds belonging to the Foundation. Classified as amounts due to Louisiana Tech University at June 30, 2008 and 2007 is $30,085,933 and $30,115,002, respectively, related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted, temporarily restricted, and unrestricted net assets of the Foundation and reflected as due to Louisiana Tech University.

The Foundation has leases with Louisiana Tech University to provide parking for the campus. For the years ended June 30, 2008 and 2007, total lease income of $355,307 and $152,683 was received by the Foundation. Future minimum payments due from Louisiana Tech University are as follows:

Year Ending June 30:	
2009	372,134
2010	366,734
2011	351,102
2012	103,884
2013	-
Thereafter	-

9. **Transactions with Louisiana Tech University** (Continued)

Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

10. **Deferred Revenue**

During fiscal 2000, the Foundation entered into an agreement with MBNA America Bank, N.A. (MBNA) for MBNA to provide financial service products to Louisiana Tech University undergraduate students, graduate students, alumni, and/or other potential participants. This agreement expired on April 30, 2005, and a new agreement became effective. Per the terms of the new agreement, MBNA guarantees royalties paid to the Foundation will be equal to or greater than $600,000 by the end of the full term of the new agreement expiring on April 30, 2012.

A payment of $83,333 was received under the agreement for the fiscal years ended June 30, 2008 and 2007.

Unrestricted revenue of $85,714 was recognized for the fiscal years ended June 30, 2008 and 2007. At June 30, 2008 and 2007, accounts receivable totaling $250,000 and $333,333, respectively, and deferred revenue of $328,571 and $416,216, respectively, were recorded related to this agreement.

11. **Commitments**

As of June 30, 2008 and 2007, there was approximately $196,369 and $194,392, respectively, in awarded but unpaid scholarships, which were funded subsequent to year-end.

12. **Annuities Liability**

The Foundation receives donations through split-interest agreements with contributors. These split-interest agreements specify that the donation is made in return for an individual or joint annuity for the remaining lives of the contributors. The difference between the fair market value of the assets received and liability under the annuity is recognized as revenue in the year received. Upon the death of the contributor, the remaining liability, if any, is recognized as revenue. The Foundation has received eight donations under such agreements that result in an annuities liability totaling $276,694 and $189,454 at June 30, 2008 and 2007, respectively. The liabilities were calculated using discount rates of 8.0%, 4.9%, 5.0%, and 6.0%.

13. **Lease Purchase**

During fiscal 2005, the Foundation entered into an agreement to lease property located at 509 West Alabama Avenue, Ruston, Louisiana, (library building) with option to purchase with the Board of Supervisors for the University of Louisiana System for the benefit of Louisiana Tech University. According to the terms of the lease purchase, the Board initially paid $50,000 in fiscal year 2005, with payments of $50,692 due annually for nine years beginning February 1, 2006. At June 30, 2008 and 2007, accounts receivable totaling $304,153 and $354,845 and deferred revenue totaling $62,527 and $79,720 were recorded related to this agreement.

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August 12, 2008

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Louisiana Tech University Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Louisiana Tech University Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Tech University Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the financial statements of the Foundation are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2008

We have audited the financial statements of the Louisiana Tech University Foundation, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated August 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2008 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

   Internal Control - No material weakness or reportable condition was noted; no management letter was issued.

   Compliance - No material noncompliance was noted.

b. Federal Awards - Louisiana Tech University Foundation, Inc. was not subject to a federal single audit for the year ended June 30, 2008.

Section II - Financial Statement Findings

No matters were reported.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2008

No matters were noted in the prior year.